

## **EXPLORING THE RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT (SHRM) AND PERCEIVED ORGANIZATIONAL PERFORMANCE IN NIGERIA**

**OWOSEN, OMOSOLAPE OLAKITAN, OFOEGBU, ONYEMA EUGENE & AKANBI, PAUL AYOBAMI**

Department of Business Administration, Faculty of Social and Management Sciences,  
Ajayi Crowther University, Oyo P.M.B., Oyo State, Nigeria

### **ABSTRACT**

Strategic human resource management (SHRM) focuses on organizational performance rather than on individual performance and it also emphasizes the role human resource management systems play as solutions to business problems. SHRM centres on collectivism rather individualism. This study explored the relationship between SHRM and organizational performance in some selected manufacturing firms in Awe, Oyo, Nigeria., Nigeria. The study employed survey research with questionnaire used as data collection instrument. Three hundred subjects were selected from the two manufacturing firms selected for this study. Six hypotheses were tested using multiple regression and correlation analysis. The study revealed that the five variables (extensive training, selective staffing, empowerment appraisal, performance appraisal and team-based work) used in measuring strategic human resource management had positive significant relationship with perceived organizational performance. Based on the findings of this study, it was recommended among others that organizations should take cognizance of the human elements in the organization with the aim of employing them as strategic mechanism for better organizational performance.

**KEYWORDS:** Strategic Human Resource Management, Extensive Training, Selective Staffing, Resource Based View, Perceived Organizational Performance

### **INTRODUCTION**

Strategic Human Resource Management (SHRM) focuses on organizational performance rather than on individual performance and it also emphasizes the role human resource management systems play as solutions to business problems. SHRM centres on collectivism rather individualism. SHRM focuses on achieving organizational performance, hence, it is crucial to integrate human resource management into organizational business strategies. Organizational performance is influenced by the set of human resource management practices. SHRM involves designing and implementing a set of proactive human resource policies or practices that ensures that an organization's human capital contributes to the achievements of its corporate objectives.

Wright and McMahan (1992) define it as 'the planned human resource deployment and activities intended to enable an organization to achieve its goals. Human resource deployments reflect the central assumptions behind the positive conceptualization of what human resource management is and does: namely, that it responds accurately and effectively to the organizations environment and compliments other organizational system and contingents. Paauwe and Boseli (2005), drawing on the extensive body of research on SHRM studies examined the effects of SHRM practices on firm performance during significant macro-environment changes.

Human Resource management could contribute “to create value by increasing intellectual capital within the firm” (Ulrich, 1997) specifically in manufacturing enterprises. Unlike in the past, contemporary Human Resource Management is more business focused than administering workforce welfare. Its core functions such as employee selection, compensation and development are streamlined to support organizational strategy by providing a pool of knowledge workers. A flexible knowledge workforce represents competitive advantage for organizations focusing on strategic expansion (Maxwell 2000; Stone 2005).

The resource based view perspective of strategic management is one of the theories that see human beings as rare assets for generating sustainable competitive advantage. There have been a number of studies concentrating on the impact of strategic human management on organizational performance (Huselid, Jackson and Schuler 1997). There is however a need to determine the extent to which human resources contributes to organizational performance relative to other resource in the organization. This can help in managing and developing human elements in the organization with a view to bring about improved organizational performance. The findings of this study will therefore shed more light on how to strategically manage organizations for optimum performance.

## LITERATURE REVIEW

Outcome of worldwide empirical research summarized the works of Boselie and Dietz (2003) and Katou and Budhwar (2006) where they suggested that there were commonalities and also contradictions in SHRM and performance (Wall and Wood, 2005; Wright and Boswell, 2002). In another study conducted by Delaney and Huselid (1996), they found that the practice of strategic human resource management is consistent with a high involvement of human resource management strategy such as highly selective staffing, incentive compensation and training, were positively linked to organizational performance. Katou and Budhwar (2006) in their study of 178 Greek manufacturing firms found support with the universalist model and reported that strategic human resource management policies of recruitment, training, promotion, incentive, benefits, involvement and health and safety positively related to organizational performance. Follow up empirical works have shown reasonably strong positive relationships between the extent of a firm’s adoption of high- involvement human resource management strategies and organizational performance (Huselid, Jackson and Schuler, 1997; Chadwick and Cappli, 1998; Delerg and Doty, 1998; Lchniowski, Shaw and Premushi, 1997; Macduffie 1995; Youndt et al; 1996, Katou and Budhwar 1997).

A number of authors have explored the links between individual human resource practices and organizational performance for example, Lam and White (1998) reported and firm’s human resource orientations (measured by the effective recruitment of employees above average compensation, and extensive training and development) were related to return assets growth in sales and growth in stock values. Using a sample of banks, Richard and Johnson (2001) examined the impact of strategic human resource management effectiveness (ratings of how effectively variety of human resource practices was performed) on a number of performance variable. They found that strategic human resource management effectiveness is directly related to employee turnover and the relationship between this measures and return on equity was stronger among banks with higher capital intensity (greater investments in branches). This is exemplified by Terpstra and Rozelle’s (1993) study of the relationship between recruiting and selection practices and firm performance where they found a significant and positive link between extensiveness of recruitment, selection and the use of formal selection procedures and firm performance. Tsai (2006) study reported effective use of employee empowerment practices and it is positively related to organizational performance.

Cascio (1991) argued that the financial returns associated with investments in progressive human resource practices are generally substantial. Russel, Terborg and Power (1995) demonstrated a link between the adoption of employment training programmes and financial performance. The use of performance appraisals (Borman 1991) and linking such appraisals with compensation has also been consistently connected with firm profitability (Gerhart and Milkovich, 1990). Koch and Mcgrath (1996) reported that firms using more sophisticated staffing practices (planning, recruiting and selection) had higher labor productivity.

Huselid (1995) reported that human resource practices can influence firm performance through provision of organization structures that encourage participation among employees and allow them to improve and redesign how their jobs are performed. Green et al (2006) reported that organizations that vertically aligned and horizontally integrated human resource function and practices performed better and produced more committed and satisfied human resource. There is also a need to globalize strategic human resource management practice( Akanbi and Itiola, 2013).

## **METHOD**

### **Design**

The study made use of survey research design. The independent variable is the strategic human resource management practice which comprises extensive training, selective staffing, empowerment appraisal, performance appraisal, team-based work, performance-based pay and the dependent variable is perceived organizational performance.

### **Subjects**

This study was based on a sample of 300 respondents who were randomly selected from a manufacturing firm in Awe, Oyo State, Nigeria. The participants comprised 141(47.0%) males with ages between 18 and above 40 and 172(57.0%) were single.

### **Instruments**

This study used a questionnaire for data gathering. The questionnaire was divided into 3 sections. The first section consists of demographic information; second section measured SHRM. The scale consisted of 30 items with response format ranging from very accurate (6) to very inaccurate (1). This scale has six –dimensional constructs namely; Training-items 1-7, Selection – items 8-14, Empowerment- items 15-21, Performance appraisal- items 22-24, Team-based Work- items 25-27, and performance based pay-items 28-30. The scales were revalidated and the Cronbach alphas were training 0.90, selection 0.85, empowerment 0.90, performance appraisal 0.85, team-based work 0.82, performance-based pay 0.58; the third section measured organizational performance which consisted of six items. The reliability coefficient of the scale is 0.88.

### **Hypotheses**

- The bundle of strategic human resource management variable will be significantly related to perceived organizational performance.
- Extensive training will be significantly related to perceived organizational performance.
- Selective staffing will be significantly related to perceived organizational performance.
- Empowerment appraisal will be significantly related to perceived organizational performance.

- Performance appraisal will be significantly related to perceived organizational performance.
- Performance-based pay will be significantly related to perceived organizational performance.

### Statistical Analyses

The demographic information was analyzed using frequency counts and simple percentages. Hypotheses 1 was tested with multiple regression and hypotheses 2 to 6 were tested using Pearson correlation.

### Demographic Variables

**Table 1: Distribution of the Respondents by Demographic Information**

<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>
Male	141	47.0
Female	159	53.0
Total	300	100.0
<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
18-20	6	2.0
21-30	201	67.0
31-40	53	17.7
40+	40	13.3
Total	300	100.0
<b>Years of Service</b>	<b>Frequency</b>	<b>Percentage</b>
1-5	217	72.3
6-10	60	20.0
11-20	22	7.3
21+	1	0.3
Total	300	100.0
<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Single	172	57.3
Married	128	42.7
Total	300	100.0
<b>Highest Educational Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
SSCE,NCE	94	31.3
OND,HND	21	7.0
B.A,B.Sc	141	47.0
M.A,M.Ed	42	14.0
Ph.D	2	0.7
Total	300	100.0

The male respondents were 141(47.0%) while their female counterparts were 159(53.0%). The table showed that 6(2.0%) of the respondents are of the age range 18-20 years, 201(67.0%) are of age range 21-30 years, 53(17.7%) are of age range 31-40 years. While 40(13.3%) were of age 41 and more years respectively. 217(72.3%) of the respondents had served 1-5 years, 60(20.0%) of them had served 6-10 years, 22(7.3%) had served 11-20 years while 1(0.3%) had served 21 and more years.

The table also showed that 172(57.3%) of the respondents were single while the married were 128(42.7%). The table showed that 94(31.3%) of the respondents have SSCE, NCE certificates, 21(7.0%) of them have OND, HND degree. 141(47.0%) have B.A, B.Sc degree, 42(14.0%) of them have M.A, M.Ed degree while 2(0.7%) have Ph.D degree respectively.

## HYPOTHESES TESTING

**Hypothesis 1:** The hypothesis states that extensive training, Selective Staffing, Empowerment Appraisal, Performance Appraisal and Team-based work will joint and individually predict perceived Organizational Performance

**Table 2: Summary of Multiple Regression Showing the Relationship between Extensive Training, Selective Staffing, Empowerment Appraisal, Performance Appraisal and Team-Based Work and Organizational Performance**

Variables	F-Ratio	Sig. of P	R	R <sup>2</sup>	Adj. R <sup>2</sup>	β	t	p
Extensive Training	56.376	.000	.700	.489	.481	-.026	-.333	.739
Selective Staffing						.222	3.071	.002
Empowerment Appraisal						.290	3.430	.001
Performance Appraisal						-.020	-.271	.786
Team-based work						.299	4.224	.000

The table above showed that the joint effect of Extensive Training, Selective Staffing, Empowerment Appraisal, Performance Appraisal and Team-based work on Organizational Performance was significant ( $F(5,294) = 56.376$ ;  $R = .700$ ,  $R^2 = .489$ ,  $\text{Adj. } R^2 = .481$ ;  $P < .05$ ). The independent /predictor variable jointly accounted for a variation of about 49%

The following shows the various relative contribution and levels of significance of the independent variable: Extensive Training ( $\beta = -.026$ ,  $P > .05$ ), Selective Staffing ( $\beta = .222$ ,  $P < .05$ ), Empowerment Appraisal ( $\beta = .290$ ,  $P < .05$ ), Performance Appraisal ( $\beta = -.020$ ,  $p > .05$ ) and Team-based work ( $\beta = .299$ ,  $P < .05$ ) respectively.

**Hypothesis 2:** Extensive training will be significantly related to perceived organizational performance.

**Table 3: Summary of Pearson Correlation Showing the Relationship between Extensive Training and Organizational Performance**

Variable	Mean	Std Dev.	N	R	P	Remark
Extensive Training	25.8100	6.6474	300	.574**	.000	Sig.
Organizational performance	28.0700	7.8069				

The table above shows that there was significant relationship between Extensive Training and Organizational performance ( $r = .574$ ,  $N=300$ ,  $P < .05$ ). The hypothesis is therefore accepted.

**Hypothesis 3:** Selective staffing will be significantly related to perceived organizational performance.

**Table 4: Summary of Pearson Correlation Showing the Relationship between Selective Staffing and Organizational Performance**

Variable	Mean	Std Dev.	N	R	P	Remark
Selective staffing	25.8100	6.6474	300	.620**	.000	Sig.
Organizational performance	28.8567	6.9443				

The result above shows that there was significant relationship between Selective Staffing and Organizational performance ( $r = .620$ ,  $N=300$ ,  $P < .01$ ). The hypothesis is therefore accepted.

**Hypothesis 4:** Empowerment appraisal will be significantly related to perceived organizational performance.

**Table 5: Summary of Pearson Correlation showing Empowerment and Organizational Performance**

Variable	Mean	Std Dev.	N	R	P	Remark
Empowerment	25.8100	6.6474				
Organizational performance	32.3500	8.7332	300	.650**	.000	Sig.

The result above shows that there was significant relationship between Empowerment and Organizational performance ( $r = .650$ ,  $N = 300$ ,  $P < .05$ ). The hypothesis is therefore accepted.

**Hypothesis 5:** Performance appraisal will be significantly related to perceived organizational performance.

**Table 6: Summary of Pearson Correlation Showing the Relationship between Performance Appraisal and Organizational Performance**

Variable	Mean	Std Dev.	N	R	P	Remark
Performance Appraisal	25.8100	6.6474				
Organizational performance	11.6433	3.9320	300	.557**	.000	Sig.

The table above shows that there was significant relationship between performance Appraisal and organizational performance ( $r = .557$ ,  $N = 300$ ,  $P < .05$ ). The hypothesis is therefore accepted.

**Hypothesis 6:** Performance-based pay will be significantly related to perceived organizational performance.

**Table 7: Summary of Pearson Correlation Showing the Relationship between Performance – Based Pay and Organizational Performance**

Variable	Mean	Std Dev.	N	R	P	Remark
Performance – based Pay	25.8100	6.6474				
Organizational performance	8.2667	2.6316	300	.628**	.000	Sig.

The table above shows that there was significant relationship between Performance – based Pay and Organizational Performance ( $r = .628$ ,  $N = 300$ ,  $P < .05$ ). The hypothesis is accepted.

## DISCUSSIONS

This study examined the relationship between strategic human resource management on perceived organizational performance. It found support and is largely consistent with results obtained in studies of SHRM on organizational performance conducted in organizations. So this result is highly relevant. As revealed in the analyses, SHRM variables have been found to have a positive effect on organizational outcome, especially with respect to an organization's human resource performance (Colbert; 2004, Miles and Snow 1984; Pfeffer, 1998) and these strategic human resource consistently lead to higher organizational performance, more dependent on the environment (Delery and Doty, 1996). Overall the results suggest that strategic human resource management relates to perpetual measure of organizational performance.

## CONCLUSIONS

The findings of the study revealed that there exists a relationship between strategic human resource management variables and organizational performance. However, extensive training and performance-based pay did not independently predict organization performance.

Thus, the evidence suggests that effective and proactive implementation of key strategic human resource management practice will bring in higher levels of organizational performance which invariably can help achieve the goal of one of the MDGs.

## RECOMMENDATIONS

- Strategic human resource management implies the way in which human resource management is crucial to organizational performance. Hence, organizations have to carefully design strategies and relate to human resources for effective utilization in achieving greater competitive performance. This includes the kind of strategy the organisation has to follow in terms of greater performance and the patterns to take.
- Strategic human resource management practice should be used to enhance, reinforce and sustain organizational performance so as to maintain a competitive advantage.

## REFERENCES

1. Akanbi, P.A. and Itiola, K.A. (2013). Impact of Globalisation on Human Resource Practices in a Manufacturing Firm in Nigeria. *European Journal of Business and Management*, International Institute for Science, Technology and Education, New York, USA. March, 2013, Vol. 5, No. 6, 88-94.
2. Borman, W. C. (1991). Job behavior, performance & effectiveness. In M.D. Dunette and L.M. Hough (Eds), *Handbook of Industrial & Organizational Psychology*, 2:271-326.
3. Boselie, P., Dietz, G. & Boon, C. (2005). Commonalities contradictions in Human Resource Management and performance research. *Human Resource Management Journal*, 15 (3): 67-94.
4. Casio, W. F. (1991). *Costing Human Resources: The financial impact of behavior in organizations* (3rd ed). Boston PWS Kent.
5. Chadwick, G. & Cappelli, P. (1998). *Investments or contracts? The performance effects of human resource systems under contingencies*. Working paper, Wharton school, University of Pennsylvania, Philadelphia.
6. Colbert, B.A. (2004). The complex Resource-Based view: Implications for Theory and Practice in Strategic Human Resource Management. *Academy of Management Review*, 28(3): 341-358.
7. Delaney, J. T. & Huslied, M.A. (1996). The impact of human resource management on perceptions of organization performance. *Academy of Management Journal*, 39(4): 949-969.
8. Delery, J. E and Doty, D. H. (1998). Modes of theorizing in strategic human resource: management tests of universalistic, contingency, and configurational performance Predictions. *Academy of Management Journal*. 39(4) 802-835.
9. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity & corporate financial performance. *Academy of Management Journal*, 38 (38): 635-672.
10. Katou, A. & Budhwar, P. (2006). The effect of human Resource Management policies on organizational performance in Greek Manufacturing firms. *Thunderbird International Business Review*, 49(1): 1-35.

11. Koch, M. J & McGrath, R. G. (1996). 'Improving Labor productivity: human resource management policies do matter'. *Strategic Organizational Journal*. 17(5) 335-354.
12. MacDuffe, J. P. (1995). Human resource bundles & manufacturing performance: or organizational logic & flexible production systems in the world auto in industry. *Industrial & Labor Relations Review*, 44, 241-260.
13. Maxwell, J. C. (2007). "*Developing the leader within you*," T. N. publishers, Nashville.
14. Paauwe, J. & Boselie, P. (2005). *Best practices in spite of performance Achieving long –term viability*. Oxford, UK: Oxford university press.
15. Pfeffer, J. (1998). *The Human Equation: Building –profits by putting people*. First, Boston, MA: Harvard Business school press.
16. Richard, O. C. & Johnson, N. B. C. (2001). Strategic human resource management effectiveness and firm performance. *International Journal of Human Research Management*.
17. Stone, J. (2005). *Human resource management: A critical text* (2<sup>nd</sup> ed). London: Thompson.
18. Tsai, C. J. (2006). High performance work systems and organizational performance: anempirical study of Taiwan's semiconductor design firms. *International Journal of Human Resource Management*, 17(9): 1512-1530.
19. Ulrich, D. (1997). *Human Resource Champions: The next agenda for adding value and delivery results*. Boston Mass: Havard University School Press.
20. Wall, T. D. & Wood, S. J. (2005). The Romance of Human Resource Management and Business performance and the case of Science, *Human Relations*, 44: 58-65.
21. Wright, P. M. & Bosewell, W. R. (2002). Desegregating Human Resource Management: A review and synthesis of micro and macro human resource management research. *Journal of Management*, 28(3): 247-276.
22. Wright, P. M & McMahan, G. C. (2002). Theoretical perspective for strategic human resource management. *Journal of Management*, 18(2): 295-320.
23. Youndth, M., Snell, S. A., Dean, J. W. & Lepak, D. P. (1996). Human resource management. Manufacturing strategic and m performance. *Academy of Management Journal* 39(4): 836-886